

Portfolio Commentary

Market Update

U.S. equities were mostly lower in the first quarter of 2026. The Russell 3000 declined 4%, and the S&P 500 posted its first quarterly decline in a year. The year began on a constructive note as declining yields, improving leading indicators, and rising mortgage applications supported a broadening rally. However, sentiment reversed sharply in March following the Iran conflict escalation. The near-blockage of the Strait of Hormuz sent crude oil surging over 75%, reigniting inflation fears and shifting the Fed narrative from rate cuts to potential hikes.

Equity market leadership changed sharply as the quarter progressed. Early cyclical broadening gave way to a narrow, commodity-driven market that benefited energy, agriculture, and hard-asset industries. Large-cap Growth was the only style box to post double-digit losses, hampered by Big Tech weakness and AI displacement concerns in software. Conversely, Small Caps proved resilient; the Russell 2000 finished higher while the Equal-Weight S&P 500 remained flat. Sector dispersion was extreme in the S&P 500, with Energy surging over 35% while Technology fell over 9%. From a factor perspective, Value, Momentum, and Yield drove returns. Quality was mixed, while Growth and Volatility factors detracted.

Key Performance Takeaways

The London Company Small Cap portfolio decreased 1.8% (-2.0% net) during the quarter vs. a 0.9% increase in the Russell 2000 Index. Both sector exposure and stock selection were headwinds to relative performance.

The Small Cap portfolio trailed its benchmark in Q1 and came up short of our 85-90% upside capture expectations. Early signs of broadening gave way to a narrower, macro-driven market where our structural underweight to Energy and commodity-linked industries was a significant detractor—similar to early 2022 when Russia invaded Ukraine. Lower-quality, more speculative areas also proved surprisingly defensive. While frustrating, we've navigated analogous periods before. These rotations have historically been short-lived and we don't believe recent price action reflects a fundamental change in the long-term case for our holdings. Should geopolitical and supply-shock volatility persist, we expect investors to refocus on quality. The durable competitive advantages and financial flexibility of our businesses position the Small Cap portfolio well across a range of environments

Top 3 Contributors to Relative Performance

Matson, Inc. (MATX) – MATX was the top performer as container shipping rates strengthened amid supply chain disruptions and management executed on operational efficiency initiatives. Strong pricing power in the Hawaii trade

lane and improving West Coast logistics drove margin expansion. The company's disciplined capital allocation, including share buybacks at attractive valuations, reinforced our confidence in management's ability to generate shareholder value through the cycle.

UniFirst Corporation (UNF) – UNF was a positive contributor as the board of directors reached an agreement with Cintas to be acquired for a premium above the prior trading price. In response to that news, the stock rallied. We anticipate the merger will be completed but acknowledge that there are potential antitrust issues that could prolong deal timelines.

Acushnet Holdings Corp. (GOLF) – GOLF delivered strong returns from steady golf participation and premium brand resilience amidst operational headwinds and mixed results. Inventories are healthy and the company is well positioned for planned product launches later this year. We believe that the company continues to benefit from the secular growth of golf while appealing to the dedicated golfer who remains recession resilient.

Top 3 Detractors from Relative Performance

Revolve Group, Inc (RVLV) – RVLV sold off as the online fashion retailer faced softer consumer demand and lower discretionary spending. While near-term headwinds around discretionary spending created volatility, we remain confident in the company due to its premium-priced retailer status, high full-price sell-through rate, and strong direct-to-consumer model. The company's loyal customer base, proprietary data analytics, and influencer-driven marketing strategy position it well for long-term growth in online fashion.

CCC Intelligent Solutions Holdings Inc (CCC) – While held in other portfolios, CCC was a newer position and a detractor during the quarter. While investor concerns focus on potential AI disruption, we believe CCC's deeply embedded platform and ~80% share in insurance workflows remain durable. Its early AI monetization is emerging, with new solutions growing by ~70% and increased customer spend. Management's conviction is reinforced by insider buying and increased share repurchases.

Haemonetics Corporation (HAE) – HAE was a weaker performer on softer blood management product volumes and delayed hospital capital equipment purchases. The Health Care sector was also weak during the quarter. While procedure volumes remain below pre-pandemic levels in certain geographies, the company's installed base, recurring revenue model, and operational improvement initiatives position it well for margin expansion as volumes normalize. We believe the current valuation offers an attractive entry point for a high-quality medical device franchise.

Sector Influence

We are bottom-up stock pickers, but sector exposures influenced relative performance as follows:

- **What Helped:** Underweight Health Care (a weaker performing sector) & overweight Industrials (a better performing sector)
- **What Hurt:** Underweight Energy (the best performing sector) & overweight Consumer Discretionary (a weaker performing sector)

Trades During the Quarter

- **Initiated: Hawkins, Inc. (HWKN)** – HWKN is a specialty chemicals distributor and manufacturer with leading positions in water treatment, food, and industrial process chemicals. HWKN benefits from stable demand driven by essential end markets such as municipal water treatment, food processing, and industrial applications. HWKN's competitive advantage is centered around route density, technical service, and regulated end-market demand, particularly within its Water segment. The business has structurally improved as the portfolio has shifted away from bulk chemicals. The Water segment remains temporarily under-earning due to SG&A investment, integration costs, and synergies ramping from recent acquisitions. HWKN has demonstrated consistent growth through a combination of organic expansion and disciplined acquisitions while maintaining strong margins and cash generation. We believe HWKN is well positioned to benefit from long-term demand for water treatment solutions supported by regulatory requirements and infrastructure investment. Its asset-light distribution model and strong execution support attractive returns on capital. Finally, the family ownership and high ROICs are attractive for long term shareholders.
- **Increased: Haemonetics Corporation (HAE)** – We added to HAE following recent share price volatility. HAE maintains a leading position in plasma collection technologies and is well positioned to benefit from structural growth in demand for plasma-derived therapies.
- **Increased: Moelis & Co. Class A (MC)** – We added to MC following share price weakness. We believe the firm's capital-light model and strong franchise should position it to benefit as M&A activity continues.

- **Exited: Certara, Inc. (CERT)** – We exited CERT following several quarters of slower-than-expected growth in the Software segment, which is the core driver of our long-term thesis. Despite strong long-term biosimulation adoption potential, recent execution has lagged expectations and management acknowledged the business requires an operational reset.
- **Exited: Ingevity Corporation (NGVT)** – We exited NGVT after the recent strength in the name. It has executed well on its self-improvement initiatives. That said, earnings remain tied to cyclical end markets, particularly automotive demand, and assume modest improvement across key segments despite ongoing industry and competitive pressures.

Looking Ahead

The situation in Iran and the broader macro backdrop remain very fluid. The coming months should provide greater clarity on whether recent events prove more inflationary, more demand-destructive, or some combination of both. Despite the many risks to the near-term outlook, we believe there are reasons for optimism as well. Economic data is generally positive with solid corporate earnings, rising GDP, as well as low unemployment. While we do not attempt to forecast the path of geopolitics or the broader economy, we recognize that macro-driven disruptions can overwhelm fundamentals in the short run. Even so, history suggests that supply shocks and geopolitical events, while meaningful in the near term, rarely redefine the long-term earnings power of advantaged businesses.

From an equity market perspective, breadth and leadership may remain uneven as markets digest shifting macro narratives. We continue to view the recent setback as a pause in a multi-year broadening cycle rather than a lasting reversal. Prior broadening episodes have often been choppy, but also durable, unfolding over years rather than quarters. In that environment, we believe portfolios emphasizing high-quality businesses with durable competitive advantages, strong returns on capital, pricing power, flexible balance sheets, and reasonable valuations are well positioned. In a market where breadth and leadership can shift quickly, we believe those characteristics position our portfolios to participate when fundamentals reassert themselves while helping to manage downside if volatility persists.

Annualized Returns

As of 3/31/2026

	QTD	1Y	3Y	5Y	10Y	ITD
Small Cap (Gross)	-1.8%	5.5%	7.6%	5.9%	8.5%	11.8%
Small Cap (Net)	-2.0%	4.5%	6.6%	4.9%	7.4%	11.0%
Russell 2000	0.9%	25.7%	13.1%	3.8%	9.9%	8.3%

Inception date: 9/30/1999. Performance is preliminary. Subject to change. Past performance should not be taken as a guarantee of future results. Net of fee returns are calculated net of an annual model management fee of 1.00%. Please see the disclosure notes found on the last page.

Disclosure Notes

The London Company's performances are size weighted and annualized based on calculations for the period ending March 31, 2026. The characteristics discussed herein relate to a representative account, and not every client's account will have these exact characteristics. As London manages its client portfolios according to each client's specific investment needs and circumstances, London cannot affirm that the characteristics of the account shown are similar to all accounts participating in the strategy. This is due in part to the timing of trades by the Advisor, market conditions, cash availability, and the timing of client deposits and withdrawals. Therefore, prospective clients should not assume that similar performance results to those shown would have been achieved for their accounts had they been invested in the strategy during the period. None of the information contained herein should be construed as an offer to buy or sell securities, or as investment recommendations.

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Composite Creation/Inception Date: September 30, 1999

Composite Definition: The Small Cap strategy invests mainly in conservative, low-beta, small-cap equities with a focus on above-average downside protection. Primarily we seek profitable, financially stable small-cap companies that consistently generate free cash flow, high returns on unleveraged operating capital, trade at significant discounts to their intrinsic values, and are run by shareholder-oriented management. Positions are usually within the market capitalization range of the major, domestic small-cap indices. Accounts in this product composite are fully discretionary taxable and tax-exempt portfolios with a minimum of \$100,000 in assets. The product is measured against the Russell 2000 Index and has a creation and inception date of September 30, 1999. There is no use of leverage, derivatives, or short positions. All actual fee-paying discretionary portfolios are included in one or more composites that have been managed for a full calendar quarter with limited restrictions and similar objectives. As of July 1, 2022 The London Company redefined the composites to exclude all dual contract relationship and any potentially bundled fee scenarios. This policy is not retroactive, but will continue to apply going forward.

Benchmark Description: Primary: Russell 2000 Index measures the performance of the small-cap segment of the U.S. equity universe. Russell 2000 is a subset of the Russell 3000 Index representing approximately 10% of the total market capitalization of that index. It includes approximately 2000 of the smallest securities based on a combination of their market cap and current index membership. Secondary: Russell 2000 Value Index measures the performance of the small-cap segment of the U.S. equity universe. It includes those Russell 2000 Index companies with lower price-to-book ratios and lower forecasted growth values. Benchmark returns are not covered by the report of independent verifiers.

Performance and Fees: Gross of fee returns are calculated gross of management and custodian fees and net of transaction costs. Net of fee returns are calculated net of an annual model fee of 1.00% and transaction cost and gross of custodian and other fees. The 1.00% model London Company management fee applied is the highest tier of the current composite fee schedule. This fee is applied monthly to the gross return at 1/12th the annual rate, which is 0.0833% per month. Actual investment advisory fees incurred by clients may vary. Net of fee returns prior to January 1, 2009 are calculated net of actual London Company management fees and transaction costs and gross of custodian and other fees. Some of the accounts in this composite paid a bundled fee, which included custodian, consultant and management fees. In addition, the total percentage of non-fee paying accounts in the composite was 100% from inception through 2005, 19.4% in 2006, 4.1% in 2007, and 1.5% in 2008. Returns may be net of miscellaneous fund expenses. The gross figures do not reflect the deduction of investment advisory fees. Returns are calculated and stated in U.S. dollars. Prior to April 1, 2024 returns are calculated gross of withholding taxes on foreign dividends and interest. Starting April 1, 2024, performance is calculated net or gross of foreign withholding taxes on dividends and interest income dependent on custodian data. Dividends are reinvested. Policies for valuing investments, calculating performance, and preparing GIPS Reports are available upon request.

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